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UNCLAS SANTO DOMINGO 002622

SIPDIS

DEPT FOR WHA, WHA/CAR, EB/TPP/BTA/EWH;
USTR FOR R VARGO, A MALITO
TREASURY FOR L CARTER

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SUBJECT: DOMINICAN SENATE AND AGRICULTURE GROUP ASK
PRESIDENT FOR CAFTA COMPENSATORY MEASURES

THE SENATE SPEAKS

1. On May 6, 20 of the 32 Dominican senators voted and published a resolution declaring the urgent need to pass legislation granting local industry assistance to compensate for expected losses to help compete under the CAFTA, a regional free trade agreement with the United States. The resolution sets submission to Congress of the legislation as a precondition for CAFTA ratification. It stresses the need to involve the Fernandez administration along with Congress and the private sector in identifying appropriate compensatory measures, and indicates that the measures should be in agreement with the CAFTA, the WTO and the IMF Stand-by agreement.

2. The compensation debate is not new, having been a topic of discussion particularly evident since the repeal of a protectionist 25% tax on fructose sweetened beverages late last year. This is, however, the most formal notice coming out of the Senate that it wants the executive branch involved in defining compensatory measures legislation and that it will not ratify CAFTA until the other legislation is submitted to Congress.

AGRICULTURE CLAMORS, AGAIN

Local papers carried a full-page announcement on May 9 by the lobbying confederation Agricultural Emergency Committee (CEA) demanding Congress and the presidency address "the great disparity between costs of agricultural production for U.S. and other CAFTA producers and those faced by Dominican producers." The CEA claims that the only way that the Dominican Republic will be able to compete is by subsidizing or otherwise supporting agriculture producers. The CEA proposed to the Senate a program of subsidies and other benefits for Dominican producers that it asserts will put it on equal footing with the other CAFTA countries. The announcement gives "examples of assistance in the United States," consisting of a list of ten agriculture products with an estimate of subsidies received in support from U.S. Government. Several of the products, including garlic, onions, pork, beef and chicken, receive no direct U.S. government subsidies according to the Embassy's Agricultural Attach. The CEA announcement does not explain the figures and does not offer an estimate of the offset needed by Dominican producers.

COMMENT

Embassy officers have been in regular contact with the chair of the Senate committee reviewing the issue of compensation for Dominican industry related to CAFTA, but have not seen any bargaining numbers. In a political environment where members of congress and various administration officials have commented that fiscal reform should wait until after May 2006 elections, the Fernandez administration faces tough choices and the even tougher requirement to start making those choices.
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